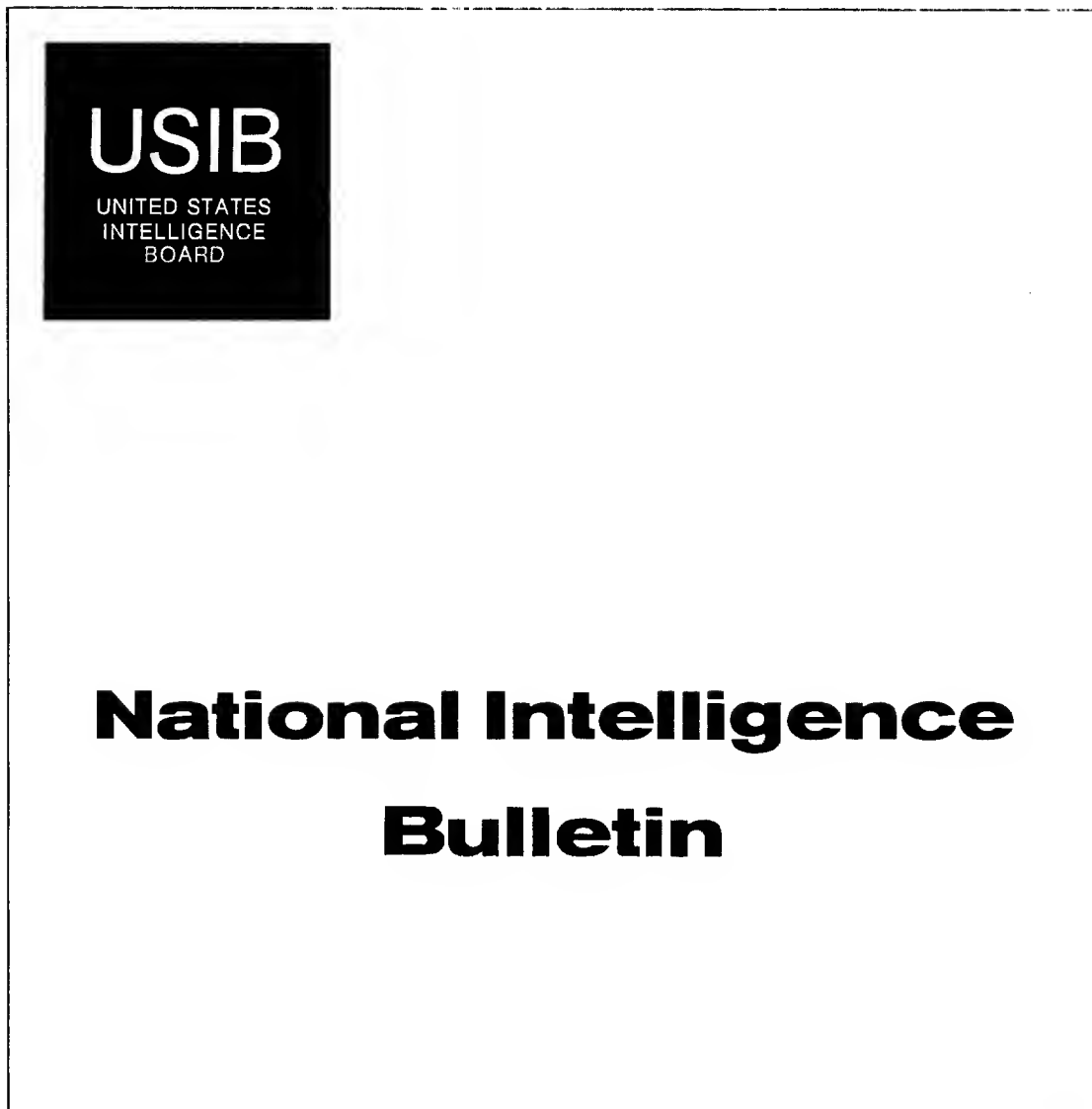


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USSR

Thus far, the Soviets seem to be playing down the broader implications for detente of their rejection of the US-Soviet trade agreement.

Premier Kosygin, in the course of a banquet speech on January 14 honoring Australian Prime Minister Whitlam, made repeated references to the necessity of continuing detente. Kosygin, the first Soviet leader to speak on foreign policy issues since Moscow's note to the US last Friday, specifically reiterated the Soviet goal of making detente "irreversible." His evident effort to indicate, without mentioning the US, that detente is still on the track will be reinforced for the Soviet public by an otherwise routine press announcement Wednesday regarding the resumption of SALT.

Moscow informed its domestic audience of Secretary Kissinger's statement in a Tass summary broadcast 12 hours after the announcement. The Tass summary, carried in Izvestia on January 15, said the Secretary noted the Soviet government's message that it does not intend to accept a trade status that is discriminatory and subject to political conditions, and accordingly would not bring into force the 1972 trade agreement. The report concluded with the Secretary's assurance that the administration would continue to pursue all avenues, including legislation, to promote mutually beneficial trade relations.

A possible sign that the leadership has hope of an eventual reversal of its fortunes on the trade issue was provided by a Soviet commentator on Tuesday when he laid the blame for the trade impasse on an anti-detente faction in the outgoing Congress. He said that many of this faction remain in the new Congress, but he also noted that the new Congress would have a different complexion. Moscow may hope that its tough line will convince Congress to reconsider the US action.

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The decision not to accept the conditions of the US trade and Export-Import Bank bills and the events that led up to it were a sharp setback to a major element of Brezhnev's detente policy and may ultimately affect his basic political position. He has also suffered a recent setback in his consumer program and an embarrassing postponement of his visit to Egypt.

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There is no evidence of a crisis atmosphere within the leadership or signs of a concerted challenge to Brezhnev's position. He faces the problem, however, of keeping the combination of policy setbacks [redacted] from leading to an erosion of his authority. To prevent this, he must resume an active work schedule and give new impetus to domestic and foreign policies. The pressures to take an active role will increase as politicking for next year's party congress picks up.

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The Soviet rejection of the agreements should not substantially affect the volume of US-Soviet trade in 1975. Two-way trade was approximately \$1 billion in 1974--down from a high of \$1.4 billion in 1973, when the USSR imported large quantities of grain. Trade in 1975 is expected to be above the 1974 level.

Exports of US capital goods to the USSR in 1975 will be largely determined by Soviet orders placed in 1972-1973, when Export-Import Bank credits were available. Three fourths of the roughly \$1 billion in US orders backed by Export-Import Bank financing have yet to be exported. US exports also will be boosted by deliveries of some \$350 million in grain previously ordered by the USSR.

The lack of Export-Import Bank financing could, however, reduce substantially the volume of future contracts placed in the US. Western Europe and Japan, which continue to grant low-interest credits, will be the principal beneficiaries.

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The Soviets may be able to obtain commercial loans from US banks to cover US exports of equipment as long as the USSR is willing to pay market interest rates and guarantee the loans. Furthermore, the USSR currently enjoys a much stronger financial position than at any time in its history and could keep buying from the US on a cash basis. The prospects of major cooperative projects such as the development of Yakutsk natural gas will be dimmed considerably, however, without Export-Import Bank funds.

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EGYPT

President Sadat, in a meeting on Tuesday with a group of French legislators, linked the continued presence of the UN Emergency Force in the Sinai Peninsula to further Israeli withdrawals on all Arab fronts, but he stopped short of imposing conditions for the extension of the UN Sinai mandate, which expires on April 24.

According to an authoritative Cairo news service account of the meeting, Sadat said, in a reference to renewal of the mandate, that Israel "must withdraw a further distance on the three fronts"--Sinai, the Golan Heights, and the West Bank. He did not explicitly demand, however, further pullbacks on all fronts before the status of UN forces in the Sinai comes up for review. He noted only that Egypt would decide the mandate issue "in the light of the situation and of Israel's behavior."

Sadat probably intended by his remarks to press for quick progress on a second-stage Sinai withdrawal by hinting he will not renew the UN mandate unless another withdrawal agreement has been concluded by late April. He may in fact intend to let the mandate lapse if there is no satisfactory progress by then toward an agreement.

Despite Sadat's linking of the situation on the other Arab fronts with the status of UN forces in the Sinai, it is unlikely he would condition continuance of the UN Sinai mandate on agreements in the other areas. If Egypt achieves an agreement with Israel in the Sinai by April, allowing the UN mandate to expire would jeopardize that agreement by removing the force that polices the disengagement lines and keeps Israeli forces behind those lines.

Sadat also told the Frenchmen that when the Suez Canal is reopened, Egypt will permit passage by ships of "all nations except Israel as long as the state of war continues." This restriction would not necessarily preclude the passage of Israeli cargoes and crews in

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ships flying the flags of other nations, although Sadat did not address this question specifically. The Israelis have said that these indirect passage rights were part of the disengagement agreement last year, and they will insist again on a commitment from Egypt in return for another withdrawal in the Sinai.

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TURKEY-GREECE

The US embassy in Ankara reported yesterday that the Turkish military alert appeared to be winding down.

The air base at Murted reportedly was back to normal operations, and the field at Eskisehir also has relaxed its alert. The Turkish chief of staff told a US military official that the order raising the level of alert over the weekend was in response to Greek Defense Minister Averoff's strong statement regarding Greece's rights in the Aegean. [redacted] the alert was connected with the pending arrival in the Aegean Sea of a Turkish-sponsored oil survey ship. The ship, however, may not reach the area for some time.

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PORTUGAL-ANGOLA

An accord giving Angola a transitional government and providing for full independence in November was signed yesterday by Portugal and leaders of Angola's three liberation movements.

The agreement, which follows nearly a week of secret talks, provides for a transitional government to rule until November 11, 1975, at which time Angola is scheduled to become fully independent. The government will be under the direction of a Portuguese-appointed high commissioner assisted by a presidential council composed of three deputies to the leaders of the insurgent organizations. Leadership of the council will reportedly be rotated. There will be 12 cabinet posts, with the liberation groups and Portugal each holding three portfolios.

The government is charged with drafting a constitution and organizing elections for a constituent assembly that would take place prior to independence day. The assembly, in turn, will choose the future president of Angola's independent government from among candidates proposed by the three liberation groups. The president would take office on independence day.

Under the agreement, the three liberation movements will contribute an equal number of men to an integrated army. Portugal will match their total force, and keep its troops in Angola until independence is achieved. Protection for Angola's white settlers is guaranteed by the black leaders.

Angola is the last of Portugal's African territories to work out a decolonization arrangement with Lisbon. Rivalries among insurgent leaders have delayed the process and are sure to complicate the transition to independence. The agreement's delicately balanced machinery for sharing power among the liberation groups may not hold up for long. In addition, the attitude of Angola's whites toward the agreement is still in question; they were not invited to take part in negotiating the accord.

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BOLIVIA

A major strike by mine workers has apparently persuaded President Banzer to postpone the announcement of economic measures that would adversely affect the general standard of living.

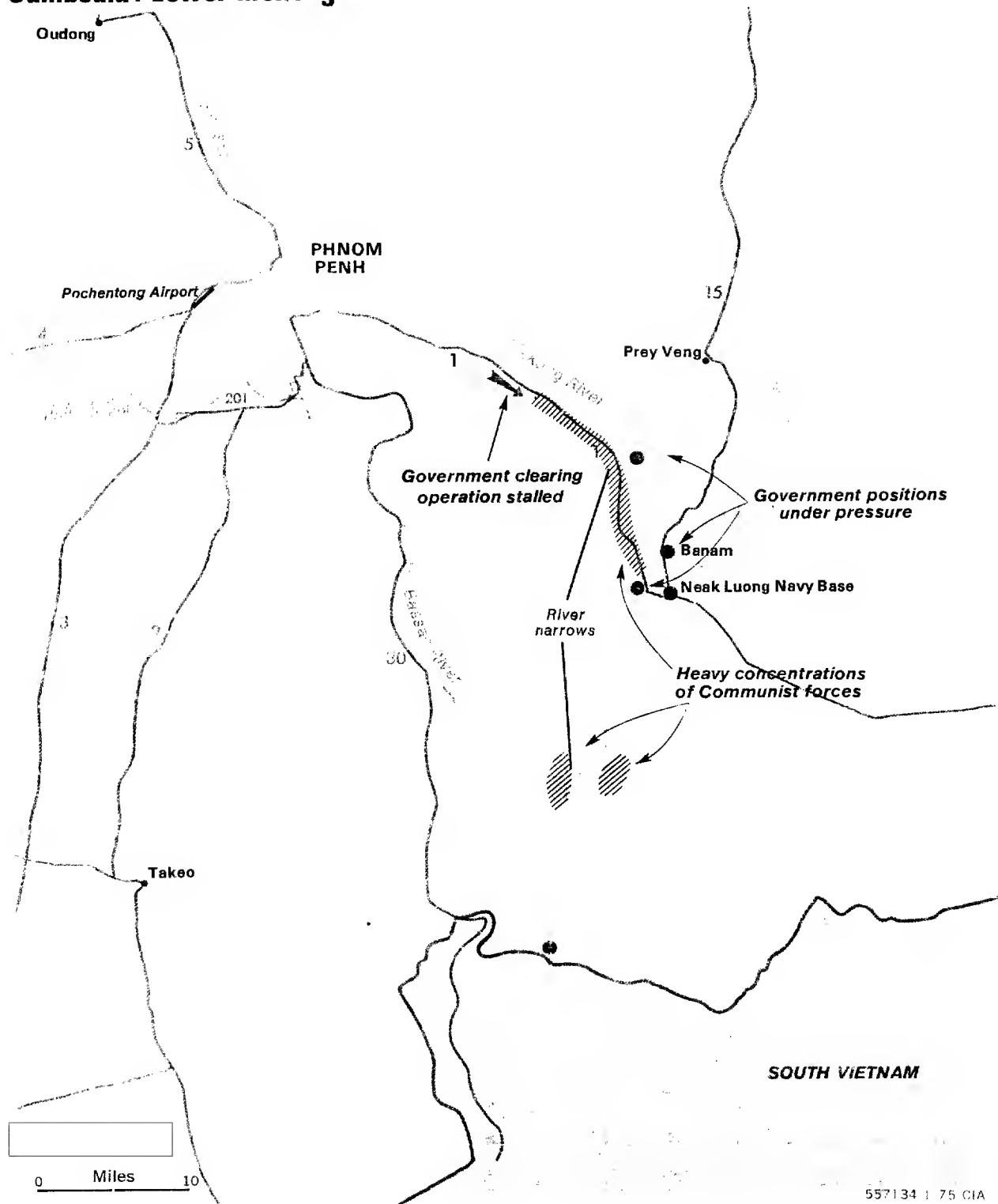
In a national address on January 14, Banzer stated that he will not grant major wage increases at this time but failed to give any further indication of his intentions. Earlier reports stated that the government was planning to raise fuel and transportation prices and increase export taxes in order to ease the national deficit.

Earlier this week the government antagonized miners by shutting down four radio stations on charges of political subversion. The ensuing walk-out of approximately 5,000 workers has already resulted in several arrests, and there have been unconfirmed reports of armed clashes between strikers and military forces.

A deterioration in the already shaky security situation could force Banzer into backing off further from some of his austerity plans. If he holds too tight a line on anticipated salary adjustments, he could spark further expressions of discontent. Although Banzer recently obtained military approval for his program during a tour of army bases, such support could prove only temporary in the event of widespread public protests.

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Cambodia : Lower Mekong



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CAMBODIA

Heavy fighting along the Mekong River near the navy base at Neak Luong and continued Communist control of the river banks south of Neak Luong have forced the postponement of a large resupply convoy originally scheduled to move upriver from South Vietnam at mid-week. Phnom Penh has a five-week supply of rice and enough fuel and ammunition to sustain military operations through the end of the month. Military stocks, however, are being supplemented by increased air deliveries.

Communist ground attacks in the Neak Luong area are still centered on the town of Banam and government positions on the west bank of the river opposite the navy base. Government troops are fighting well and have reportedly killed over 150 insurgents in the past several days. Navy convoys from Phnom Penh are still getting through to Neak Luong but are running into heavy Communist shellings. Government forces trying to push down Route 1 toward Neak Luong are meeting stiff resistance some 15 miles southeast of Phnom Penh.

In the immediate Phnom Penh area Communist initiatives remain limited to shellings and ground probes--primarily against the Cambodian army's 7th Division northwest of the city. Government counterattacks on the east bank of the Mekong opposite the capital are beginning to make some progress.

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